

# ***Transforming the Army's Financial Management***

***“Imbed a Cost Culture in  
Programs/Budget Reviews,  
Decisions, and Actions”***

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***Balanced Scorecard,  
Performance Measure Warehouse, &  
Cost management / Activity Based Costing***

**Fall 2002 Army Resource Managers' Conference**

**Georgetown University Conference Center**

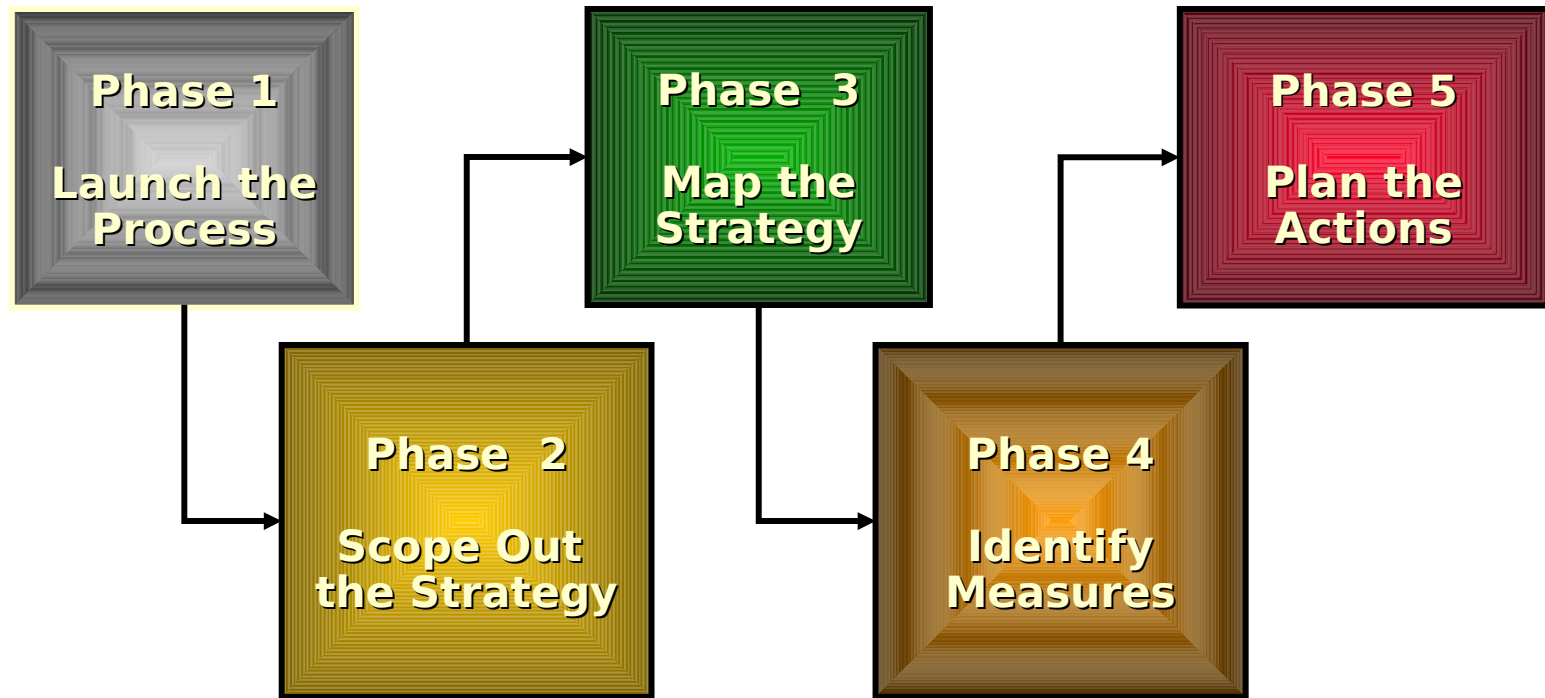
**2 - 4 December 2002**

# What Is a Balanced Scorecard?

*At the highest level, the Balanced Scorecard*

*A framework that helps organizations  
translate strategy into operational objectives  
that drive both behavior and performance*

# Balanced Scorecard Recommends a Five Step Development Process



Typically 8-12 Weeks

# ASA(FM&C) Strategy Map

## *Balanced Scorecard Mission*

**Mission: ASA(FM&C) Exists to Resource the Army and Provide Accountability to the American People.**


# ASA(FM&C) Strategy Map

## *Four Balance Scorecard Perspectives*

- Perspectives Provide Balance to Strategy Development
- Requires Teamwork

***Financial***

***Customer***

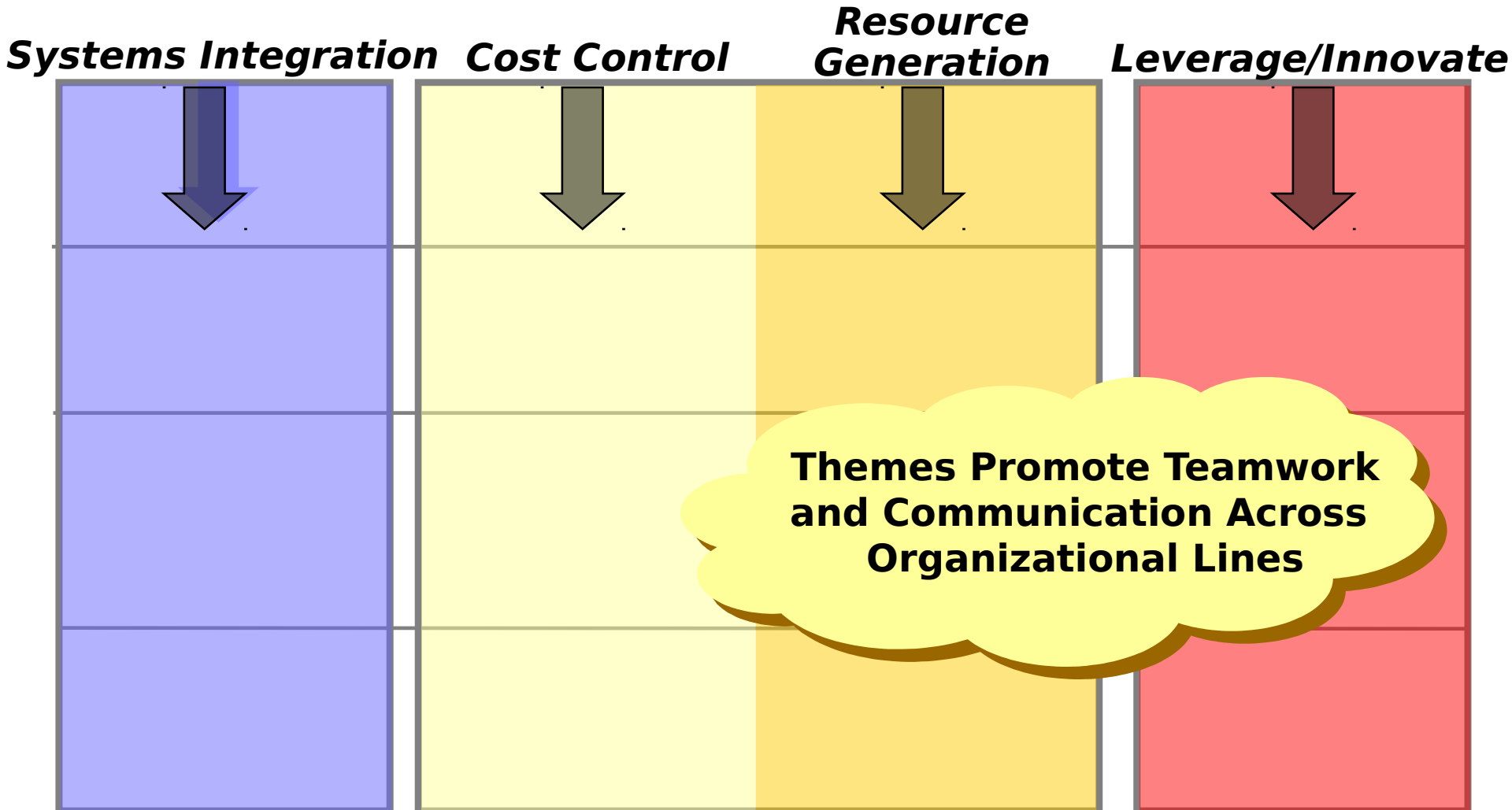
***Internal Processes***

***Learning and Growth***

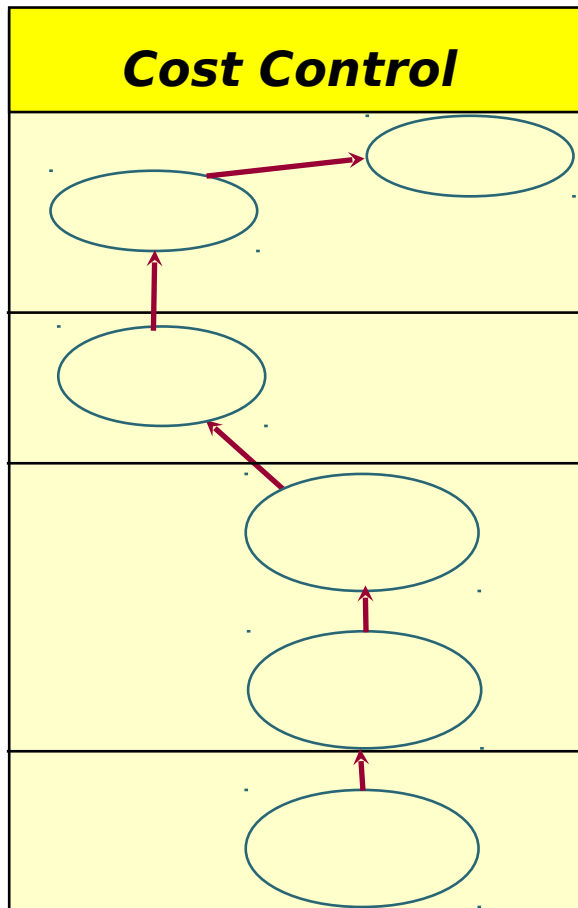
# ASA(FM&C) Strategy Map

## *Four Strategic Themes*

**Funding = Requirements**



# Balanced Scorecard - Strategy Map *Objectives*



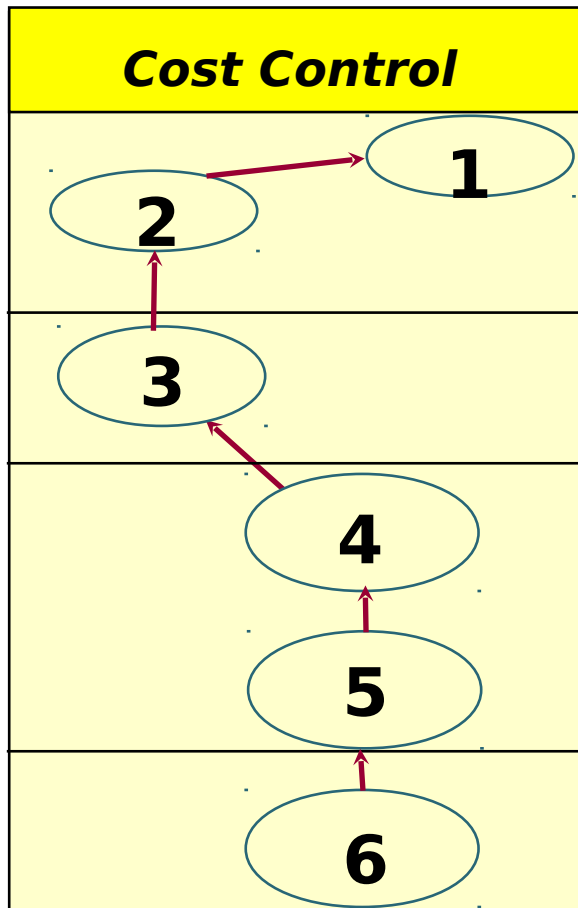
- Objectives Help to Implement the Strategy for Each Theme and Perspective
- Statement of What Strategy Must Achieve

**Objectives**

**Imbed a Cost Culture in Program/Budget Reviews, Decisions and Actions**

# Balanced Scorecard - Strategy Map

## *The Strategic Theme Story*

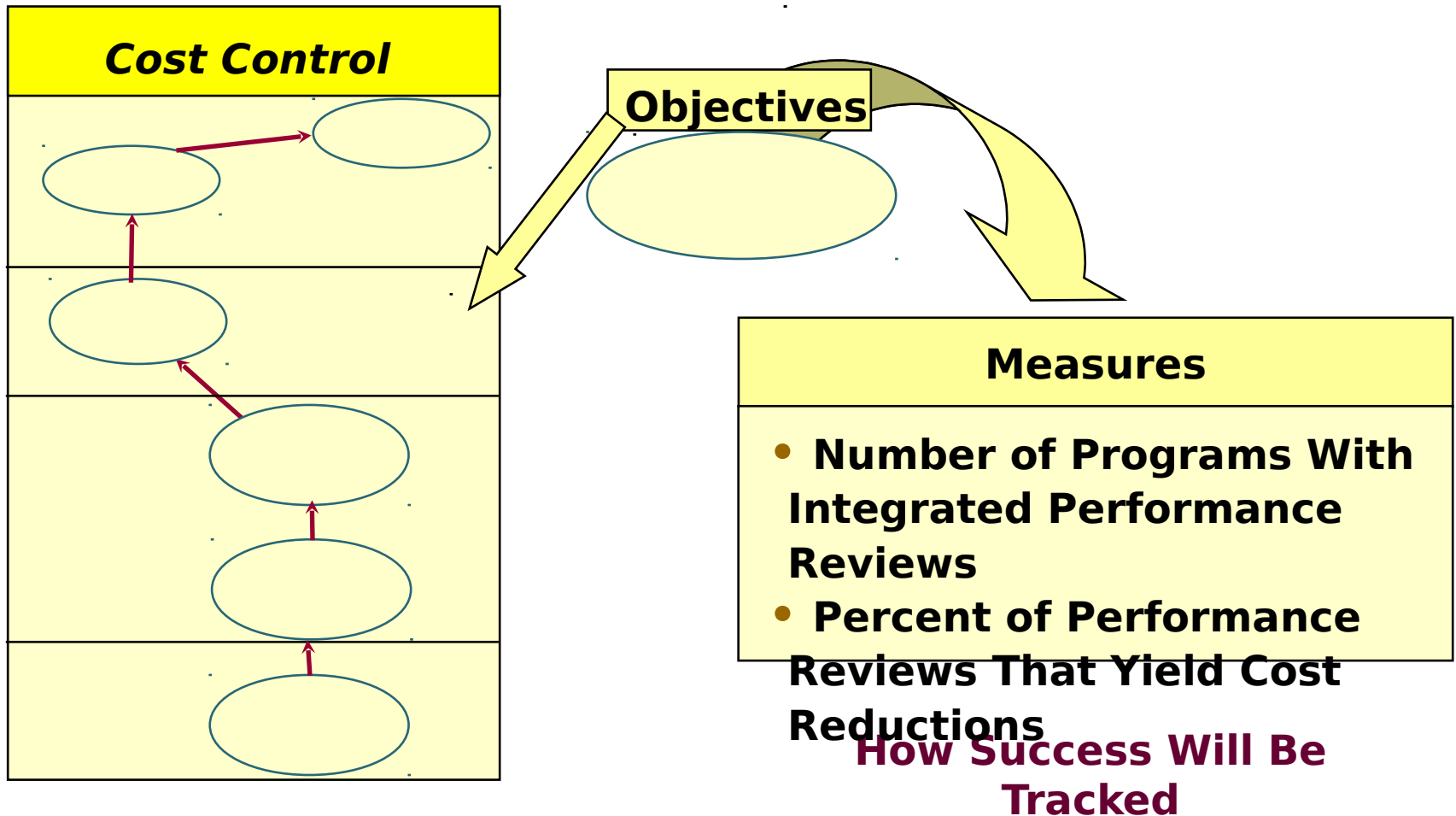


1. Funding = Requirements
2. Control and Reduce Program Costs
3. Maximize the Impact of Each Dollar Spent
4. Imbed Cost Culture in Program/ Budget Reviews, Decisions and Actions
5. Improve Output and Performance Measures/develop Full Costs by Program
6. Develop a Cost Culture



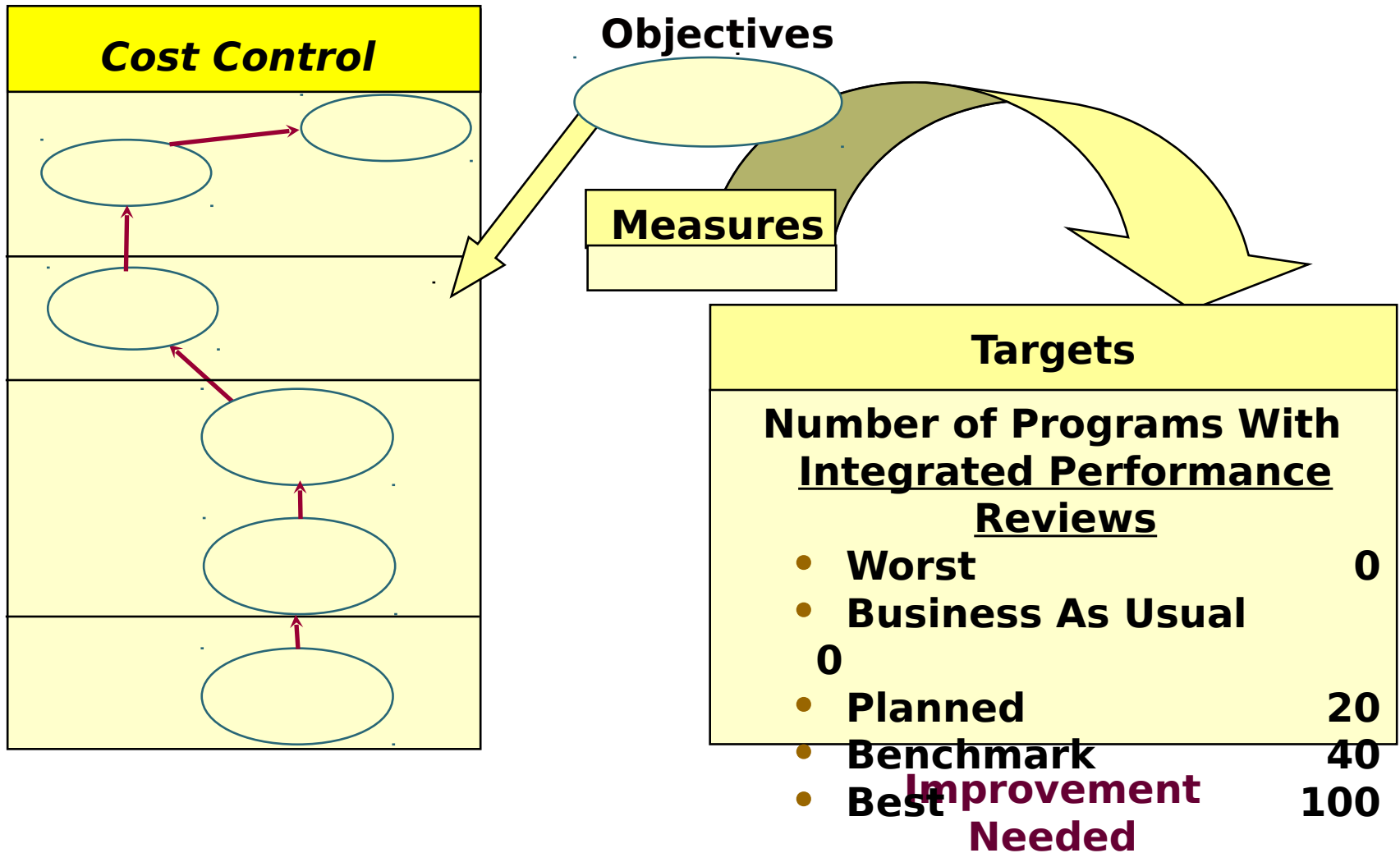
# Balanced Scorecard - Strategy Map

## *Objectives Linked to Measures*



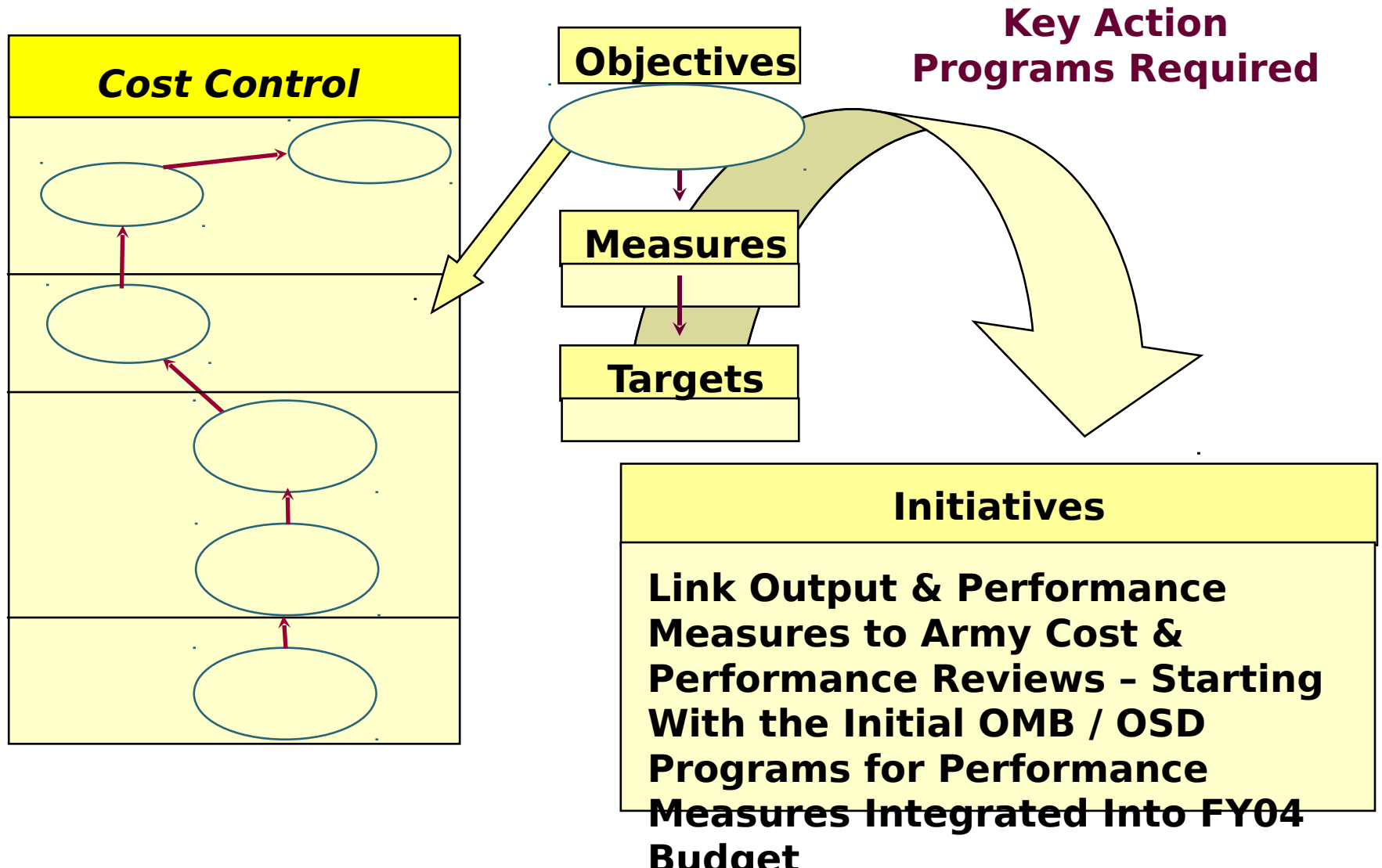
# Balanced Scorecard - Strategy Map

## *Targets*



# Balanced Scorecard - Strategy Map

## *Initiatives*



# ASA(FM&C) Strategic Map

## *Theme Relationships*

**Systems Integration**   **Cost Control**

- Themes Are Not Stovepipes & Are Not Organizationally Organized
- Requires Cooperation / Teamwork
- More Time to Devote to Coverage Activities

**Provide  
Timely &  
Relevant  
Management  
Information**

**Imbed a Cost  
Culture in  
Program Budget  
Reviews**

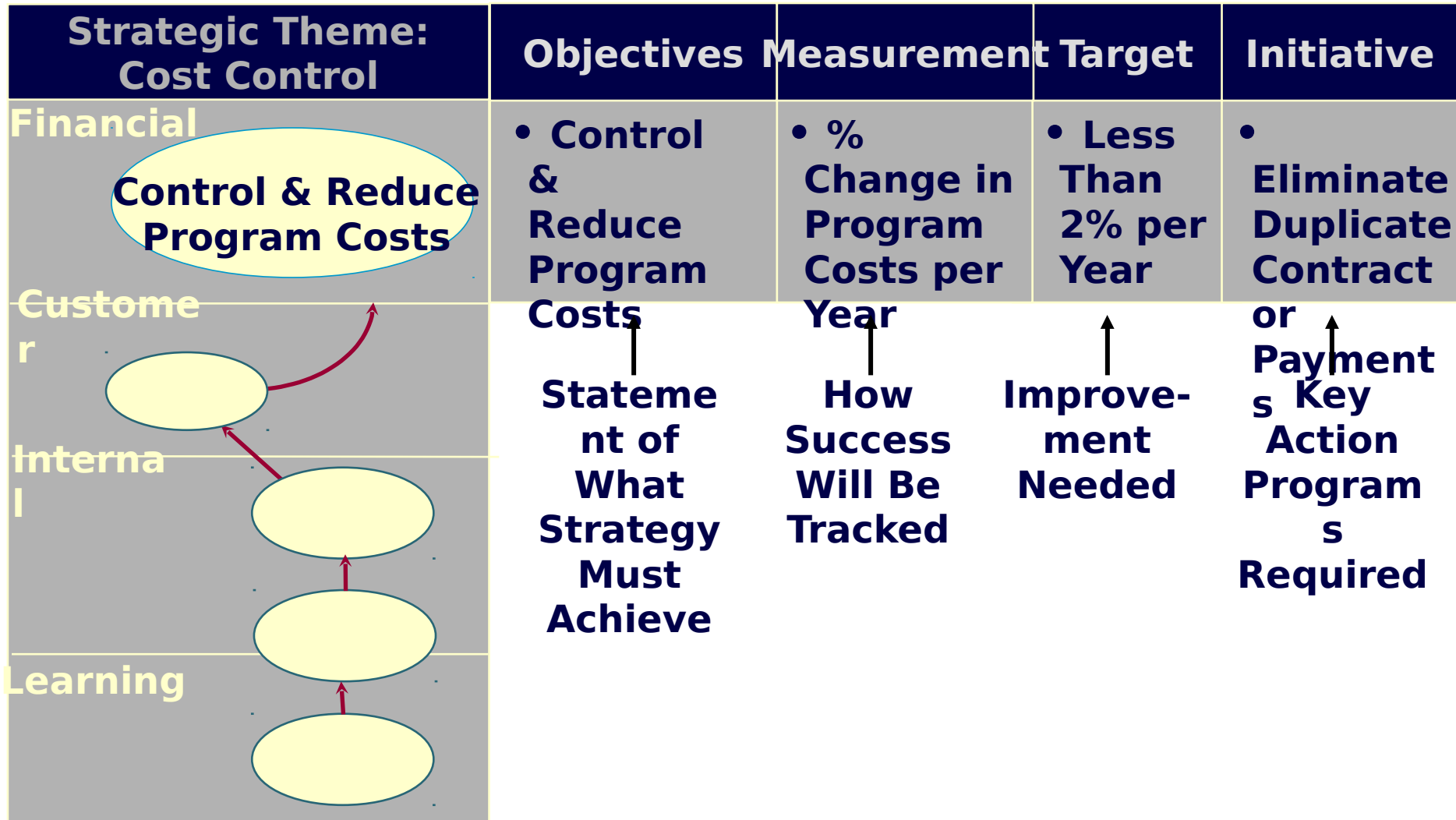
**Integrate  
Functional &  
Financial  
System  
Requirements**

**Improve Output  
Measures/full  
Cost by Program**



# Balanced Scorecard

## *An Example*



# Strategy

***The Unique and Sustainable Ways by Which We Will Create Value for the Army***

**Funding =  
Requirements**

**Improve  
Accountability  
of the Army**

**Systems Integration**

**Reduce  
Program Costs**

**Cost Control**

**More Funds  
for Army  
Programs**

**Resource Generation**

**Increase  
Investment  
Funds**

**Leverage /Innovate**

# Strategy Map for US Army/Level 1/ASA (FM&C) : Nov-02

**Mission** - Army Financial Management exists to resource the Army and provide accountability to the American people.

"Customers"	
<u>Internal:</u>	<u>External:</u>
Soldiers	American People
Army Leadership	Congress
Administration	
DoD	



# Types of Performance Measures

- ✓ **Strategic Measures - *Balanced Scorecard Metrics***
  - **Strategies - the Unique and Sustainable Ways by Which Organizations Create Value - Focuses Performance Measures and Gives Them Meaning**
  - **Quarterly Reviews Should Measure and Manage the Strategy ... *Tells the Leadership How Well They're Doing***
- ✓ **Efficiency / Operational or Diagnostic Measures**
  - **Measures Ongoing Operations - Not Drivers of Competitive Success ... *Am I staying within some predetermined boundary or tolerance***
- ✓ **Program / Budget Measures**
  - **Measures Program Performance or the Achievement of a Benefit to the Public - Connected to the Good or Service Requested by the Congress ... *Tied to GPRA & The President's Management Agenda***
  - **Used for the Development and Execution of Performance-Based Program Budgeting**



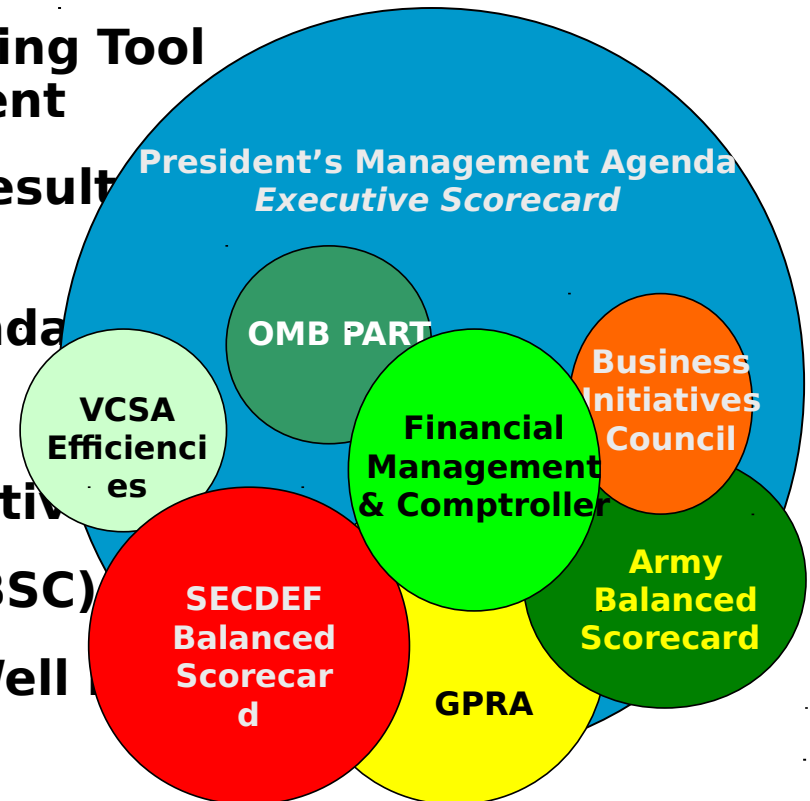
# Current DoD/Army Performance Measurement Initiatives

## ✓ DoD Performance Measure Initiatives

- Secretary of Defense Instrument Panel
- USD (Comptroller) Performance Metrics Into Program and Budget Process
- OMB Program Assessment Rating Tool (PART) for Budget Assessment
- Government Performance & Results Act (GPRA)
- President's Management Agenda

## ✓ Army Performance Measure Initiatives

- Strategic Readiness System (BSC)
- Other Functional Initiatives (Well Log Transformation, ABC)



# Performance Metrics Warehouse

## Efficiency / Operational or Diagnostic Measures View

Strategic View



## Program / Budget View



# Performance Measurement Warehouse

## *Supports Dashboards*

**Secretary of  
Defense  
Instrument  
Panel**



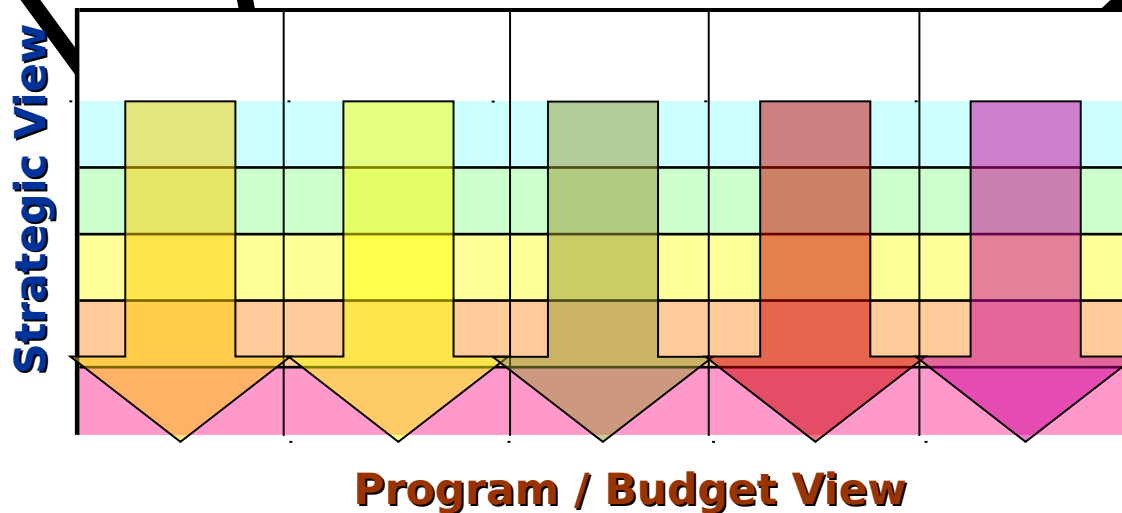
**Key Performance Metric Monitor**



**President's  
Management  
Agenda**

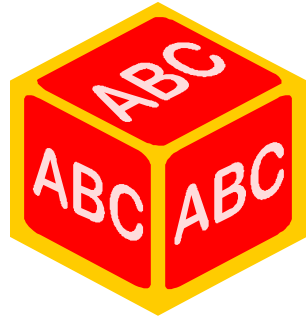


**Efficiency / Operational or  
Diagnostic Measures View**



# **Performance Metrics Warehouse ( e.g., SECDEF, PMA)**

- **Performance Measurement Tool for Day-to-Day Management**
- **Customer Centered & Results-Oriented**
- **Tailored for CEO / Executive Leadership**
- **Easily Changed**
- **Metrics Guide Data Pull *Not Data Push***
- **Objective Data Inputs / Raw Data Presented**
- **Data from Existing Systems**
- **Easy to Stand-Up**
- **Designed Around E-Business Principles**
- **Selected Measures Have More Staying Power**



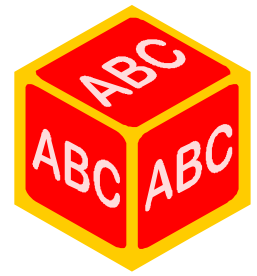
# **Cost Management / Activity Based Costing**

**-  
*Status***



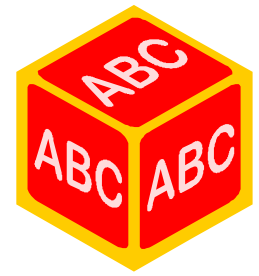
# **Army's Cost Management**

## ***Basic Approach***



- **Create a Cost Management Culture Within All Army Business Areas (11) That Support the War Fighter**
- **Business Area(s) Develop Detailed Implementation Plan for Approval (Flexibility To Assess Using ABC)**
- **Business Areas Fully Integrate Cost Management Into Management Processes (Balanced Scorecard)**
- **Business Area Should Consider Enterprise Approach**
- **Cost Management / ABC Will Support Local**

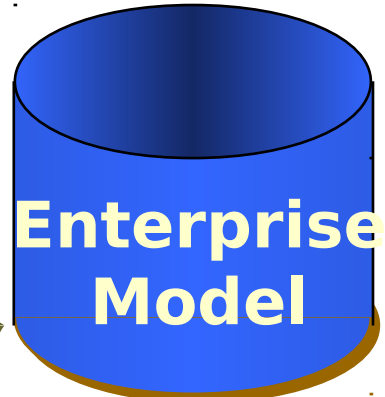
**Litmus Test - Stay Relevant to Local Managers While Meeting Higher Level Needs**



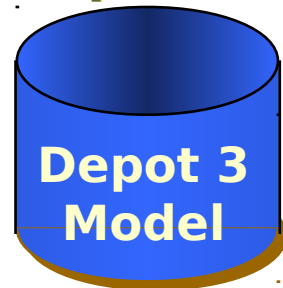
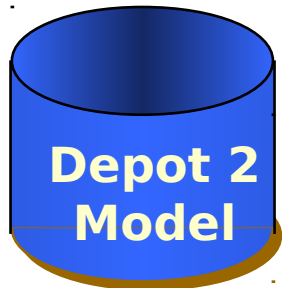
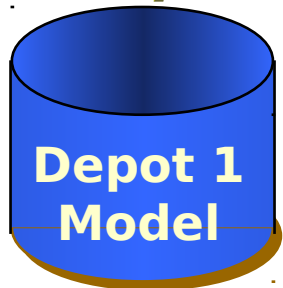
# Overview of Business Areas

- **Acquisition Process . . . *Selected Two PM's for Prototypes***
- **Base Operations & Support . . . *Revising Plan to New IMA Concept***
- **Civilian Human Resources . . . *Converting Prototypes to Operational Models by Regions***
- **Contracting Process . . . *Army Contracting Agency Started 1 October 2002, Revising Plan***
- **Depot Maintenance Operations . . . *Prototypes at Red River & Anniston***
- **Information Support . . . *Pentagon, DOIM, & Software Engineering***
- **Institutional Training . . . *Prototypes to Operational at Lead Schools***
- **Ordnance . . . *Revising Plan to Enterprise Approach***

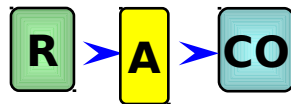
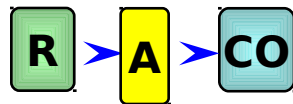
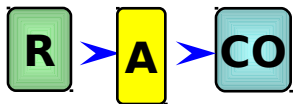
# Enterprise Approach



**Standardize Cost Objects  
to Support Higher  
Level Requirements**



**Support Activity  
Dictionaries & Standardized  
Cost Elements**



**Provides Operational Managers with Relevant True Costs  
While Providing Information Needs at Higher Levels**



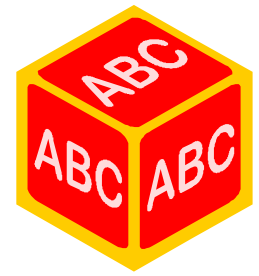
# **Other DoD Efforts**

## **OSD Related Actions:**

- **DoD Financial Management Modernization Program (FMMP) - Requested Army ABC AO for 6 Months to Work Architecture**
- **OSD BIC ABC Initiative - “Managing For Results”**

## **Other Military Organizations Actions:**

- **Air Force**
  - **MACOM Specific, Projects Mostly BASOPS and Logistics - HQAF Prototyping “Whole Base Model”**
  - **Most Interesting, Pricing Spare Parts in Working Capital Fund Using ABC**
- **Navy**
  - **IBM Briefed on CINCPACFLEET Enterprise ABC**
  - **Some Good Ideas for Regional Design, One Installation Model, Web-based Collection & Reporting, Service Orientation**
- **Marine Corps**
  - **Reviewed Navy Audit of Marines CM/ABC Effort, 28 October 2002**



# What's Next

- **Continue Ms. Pack's / VCSA Quarterly Reviews**
  - ✓ **Next Scheduled Review is February 03**
  - ✓ **Business Areas to Brief at the Next Review are: R&D Labs; Acquisition; & Contracting**
- **Revise & Align Training & Prototype Efforts To Business Area Planned Implementations**
- **Establish Monthly Updates with Business Area Management Teams, Functional Proponent, & DASA-CES**

[Link to Chain of Command](#)